

S. 1856. A bill to amend the Internal Revenue Code of 1986 to provide equitable treatment for contributions by employees to defined contribution pension plans; to the Committee on Finance.

By Mr. TORRICELLI (for himself and Mr. LAUTENBERG):

S. 1857. A bill for the relief of Olga, Igor, and Oleg Lyamin; to the Committee on the Judiciary.

By Mr. JEFFORDS (for himself, Mr. KENNEDY, and Mr. HARKIN):

S. 1858. A bill to amend the Social Security Act to provide individuals with disabilities with incentives to become economically self-sufficient; to the Committee on Finance.

By Mr. ROTH (for himself and Mr. LUGAR):

S. 1859. A bill to correct the tariff classification on 13" televisions; to the Committee on Finance.

By Mrs. HUTCHISON:

S. 1860. A bill to amend Section 313(p)(3) of the Tariff Act of 1930 to allow duty drawback for Methyl Tertiary-butyl Ether ("MTBE"), a finished petroleum derivative; to the Committee on Finance.

By Mrs. FEINSTEIN:

S. 1861. A bill to amend the Tariff Act of 1930 to permit duty-free sales enterprises to be located in certain areas; to the Committee on Finance.

Mr. DEWINE:

S. 1862. A bill to provide assistance for poison prevention and to stabilize the funding of regional poison control centers; to the Committee on Labor and Human Resources.

By Mrs. MURRAY:

S. 1863. A bill to suspend temporarily the duty on certain polyethylene base materials; to the Committee on Finance.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. JEFFORDS:

S. Con. Res. 87. A concurrent resolution to correct the enrollment of S. 419; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. GRASSLEY (for himself, Mr. BREAU, Mr. JEFFORDS, Mr. GRAHAM, Mr. BAUCUS, and Mr. HATCH):

S. 1856. A bill to amend the Internal Revenue Code of 1986 to provide equitable treatment for contributions by employees to defined contribution pension plans; to the Committee on Finance.

THE ENHANCED SAVINGS OPPORTUNITY ACT

Mr. GRASSLEY. Mr. President, I rise today to introduce legislation that lifts the unfair limits on how much people can save in their employer's pension plan. Last year, Congress took an important first step in helping people prepare for retirement through educating the public about private savings and pensions. But education can only go so far. We also must remove the barriers that prevent working Americans from achieving a secure retirement.

Removing the barriers means taking a fresh look at some of the provisions in the Internal Revenue Code which

discourage workers and employers from putting money into pension plans. One of the most burdensome provisions in the Internal Revenue Code is the 25 percent limitation contained within section 415(c). Under 415(c), total contributions by employer and employee into a defined contribution (DC) plan are limited to 25 percent of compensation or \$30,000 for each participant, whichever is less. That limitation applies to all employees. If the total additions into a DC plan exceed the lesser of 25 percent or \$30,000, the excess money will be subject to income taxes and a penalty in some cases.

To illustrate the need for elimination of the 25 percent limit let me use an example. Bill works for a medium size company in my home state of Iowa. His employer sponsors a 401(k) plan and a profit sharing plan to help employees save for retirement. Bill makes \$25,000 a year and elects to put in 10 percent of his compensation into the 401(k) plan, which amounts to \$2,500 per year. His employer will match the first 5 percent of his compensation, which comes out to be \$1,250, into the 401(k) plan. Therefore, the total 401(k) contribution into Bill's account in this year is \$3,750. In this same year Bill's employer determines to set aside a sufficient amount of his profits to the profit sharing plan which results in an allocation to Bill's account in the profit sharing plan the sum of \$3,205. This brings the total contribution into Bill's retirement plan this year up to \$6,955.

Unfortunately, because of the 25 percent of compensation limitation only \$6,250 can be put into Bill's account for the year. The amount intended for Bill's account exceeds that limitation by \$705. Hence, the profit sharing plan administrator must reduce the amount intended for allocation to Bill's account by \$705 in order to avoid a penalty. Bill is unlikely to be able to save \$705, a significant amount that would otherwise be yielding a tax deferred income which would increase the benefit Bill will receive at retirement. Bill's retirement saving is shortchanged by \$705 plus the tax-deferred earnings it would have generated.

Now let us look at Irene. Irene works for the same company, but she makes \$45,000 a year. She also puts in 10 percent of her compensation into the 401(k) plan, and her employer matches five percent of her salary into the account. That brings the combined contribution of Irene and her employer up to \$6,750. She would also receive a contribution of \$3,205 from the profit sharing plan. This brings the total contribution into Irene's pension plan for that year to \$9,955. She is also subject to the 25 percent limit, but for Irene, her limit would not be reached until \$11,200. She is able to put in her 10 percent, receive the five percent match and receive the full amount from the profit share because her amount doesn't exceed the limit.

Despite the fact that Bill and Irene have the same discipline to add to their

pension plans and save for their retirements, Bill is penalized by the 25 percent limitation. By lifting the 25 percent limit, we can provide a higher threshold of savings for those who need it most.

Permitting additional contributions to DC plans will help women "catch up" on their retirement savings goals. Women are more likely to live out the last years of their retirement in poverty for a number of reasons. Women have longer lifespans, they are more likely to leave the workforce to raise children or care for elderly parents, are more likely to have to use assets to pay for long-term care for an ill spouse, and traditionally make less money than their male counterparts. Anyone who has delayed saving for retirement will get a much needed boost to their retirement savings strategy if the 25 percent limit is eliminated for employees.

Not only does this proposal help individual employees save for retirement but it also helps the many businesses, both small and large which are affected by 415(c). First, the 25 percent limitation causes equity concerns within businesses. Low and mid-salary workers do not feel as if the Code treats them equitably, when their higher-paid supervisor is permitted to save more in dollar terms in a tax-qualified pension plan.

Second, one of the primary reasons businesses offer pension plans is to reduce turnover and retain employees. Employers often supplement their 401(k) plans with generous matches or a profit-sharing plan to keep people on the job. The 415(c) limitation inhibits their ability to do that, particularly for the lower-paid workers who are unfairly affected.

Third, this legislation will ease the administrative burdens connected with the 25 percent limitation. Dollar limits are easier to track than percentage limits.

Finally, I want to placate any concerns that repealing the 25 percent limit will serve as a windfall for high-paid employees. The Code contains other limitations which provide protection against abuse. First, the Code limits the amount an employee can defer to a 401(k) plan. Under section 402(g) of the Code, workers can only defer up to \$10,000 of compensation into a 401(k) plan in 1998. In addition, plans still must meet strict non-discrimination rules that ensure that benefits provided to highly-compensated employees are not overly generous.

The value to society of this proposal, if enacted, is undeniable. Increased savings in qualified retirement plans can prevent leakage, meaning the money is less likely to be spent, or cashed out as might happen in a savings account or even an IRA.

There will be those out there who recognize that this bill does not address the impact of the 415 limit for all of the plans that are subject to it. I have included language that would provide relief to 401(k) plans and 403(b)